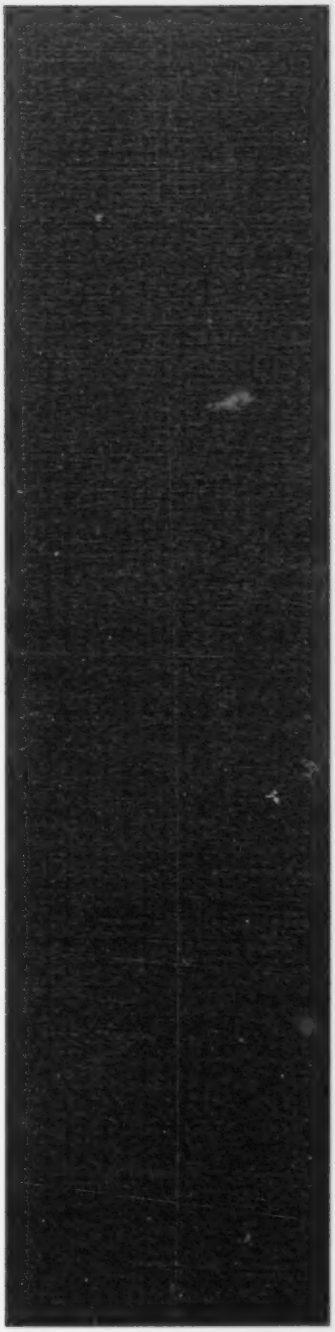

Financial Management Handbook

Government of Newfoundland and Labrador
Office of the Comptroller General
Treasury Board Secretariat
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Table of Contents

Page

Purpose i

Frequently Asked Questions ii

Financial Administration Act - Extracts vi

1.0 Introduction 1
- 1.1 Financial Management 1
- 1.2 Legislative Process 1
- 1.3 Lieutenant-Governor in Council (Cabinet)/Treasury Board 1
- 1.4 Departments 1

2.0 The Financial Administration Act (And Other Related Acts) 3
- 2.1 Financial Administration Act Overview 3
- 2.2 Roles under the Financial Administration Act 3
  - A. Treasury Board 3
  - B. Public Money 3
  - C. Ministers 3
  - D. President of Treasury Board/Minister of Finance 4
  - E. Deputy Ministers 4
  - F. Comptroller General 4
  - G. Expenditures 4
  - H. Appropriation Control 5
  - I. Public Accounts 5
- 2.3 Roles Under Other Related Acts 5
  - A. Office of the Auditor General 5
  - B. Public Accounts Committee 6
- 2.4 General 6

3.0 The Financial Plan 7
- 3.1 The Budget 7
- 3.2 The Estimates 7
- 3.3 General 7

4.0 Expenditures/Revenues 8
- 4.1 Spending Rationale 8
- 4.2 Departmental Expenditure Responsibilities 8
  - A. Financial Administration Act 8
  - B. Other Legislation 8
  - C. Policies and Spending Authority 8
  - D. Funds Commitment 9
  - E. Transfer of Funds 9
  - F. Special Warrants 9
- 4.3 Revenue 9
- 4.4 The Public Accounts 9
  - A. Chart of Accounts 9

B. Recording and Reporting 10

5.0 Glossary of Terms 11

APPENDIX I 14
Financial Administration Act Handbook 14
Introduction 15
Definitions 16
Treasury Board Structure 16
Treasury Board Rules 16
Secretary of the Treasury Board 16
Treasury Board Functions 16
Treasury Board Powers 17
Application of the Act to Boards 17
Regulation 17
Reports by Treasury Board to Lieutenant-Governor in Council 17
Power of Lieutenant-Governor in Council 17
Public Money 17
Payment into CRF 17
Investments 17
Revenue - Federal Write-back 18
Revenue Refunds 18
Expenditure Refunds 18
Settlement of Debt 18
Write-off 18
Remissions 18
Comptroller General 18
Comptroller General Absent 19
Payments of Public Money 19
Special Purpose Fund/Trust Accounts 19
Statutory Payments 19
HST 19
Estimates 19
Unexpended Appropriations 19
Write-back of Expenditures 19
Head of Expenditure 19
Subheads 20
Subdivisions 20
General Warrant for Expenditure 20
Appropriation Accounts 20
Credit of Accounts 20
Prior Years/Commitments 20
Issues of Public Money by Comptroller General 20
Payment Requests 20
Payments from Appropriations - Condition of Contract 20
Report to the Auditor General by Comptroller General 20
Departmental Commitments (obligations to pay) 21
Report to Board by Comptroller General (commitment) 21
Pre-commitment 21

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Ledger kept by Comptroller General 21
Statements to Deputy Ministers by Comptroller General 21
Special Warrants 21
Duty of Comptroller General (not to issue payments) 22
Report to Board by Comptroller General (liability) 22
Deputy Minister's Responsibilities Regarding Payments/Certifications 22
Interest on Overdue Accounts 22
Arrears (Recovery of Public Money) 23
Withholding Money 23
Report to House by Comptroller General (declines to issue payments; via Minister) ... 23
Advances 23
Refunds/Repayment of Expenditure 23
Contractors Holdbacks 24
Sinking Fund Surplus 24
Public Debt 24
Accounting System/Books 24
Public Accounts 24
Tabling of Public Accounts 24
Alteration of Time 25
Failure to Account for Public Money 25
Evidence 25
Penalty for Not Reporting 25
Liability for Loss 25
Offences 25
Bribe 25
Property of the Crown 25
Regulations 25
Topical Index 26

APPENDIX II 28
The Financial Plan 28
Estimates Process 29
A. Cabinet 29
B. Budget Committee 29
C. Treasury Board Secretariat/Department of Finance 29
D. Departments, Crown Corporations and Agencies 30
E. Stages in Estimates Process - An Illustration 30
Budget Process 31
A. Estimates 31
B. Budget Speech 31
C. Debate and Tabling 31
D. Supply Bills 31
E. Legislative Protocol 32

APPENDIX III 34
Authority for Expenditure and Payment 34
Spending (Legislative) Authority 35
Purchasing (Contracting) Authority 36
Payment Authority 36

Purpose

The purpose of this handbook is to provide general information as to the roles, responsibilities, key legislation and processes followed in the Province of Newfoundland and Labrador under the parliamentary system of Government with respect to financial management practices. It has been prepared by the Office of the Comptroller General for internal purposes and should not be considered an official version of the laws of the Province or Government policy.

This handbook is not intended to be authoritative, prescriptive or all-inclusive, nor is it designed to describe financial management techniques, methods, principles or detailed practices. The information in this handbook will hopefully be of some help to a person not familiar with terminology, processes and legislation applicable to the stewardship of public money.

There may be some information in this handbook that is repeated in different sections to facilitate their extraction for other purposes. As well, throughout this handbook several terms have been bolded and italicized to indicate that the meaning of such terms can be found in the 'Glossary of Terms' which follows toward the end of this handbook.

Frequently Asked Questions

1. *Where does the money come from?*

Public Money comes from various sources including Provincial revenue sources (various taxes, fees, fines, etc.) and from Federal revenue sources (equalization payments, cost-shared agreements, etc.). If expenditures exceed revenue the shortfall is borrowed, generally through the issuance of short-term treasury bills and long-term debentures by the Department of Finance.

2. *Could I spend as much as I want if I were in Government?*

No. The House of Assembly approves the amount that may be spent in a ***fiscal year*** for activities conducted in the various departments as per the Government's financial plan, i.e., the ***Budget***. Through legislation and internal processes, spending is controlled to facilitate effective, efficient and economical spending of public money.

3. *Can I buy from whomever I want?*

No. *The Public Tender Act* provides that requirements for goods or services are generally tendered with processes in place to deal with practical situations such as small dollar purchases and emergencies. The Consultants Guidelines provide Government's policy direction on the process to procure consulting services. In all cases, sufficient funds must exist in departmental accounts before commitments are made to acquire goods or services. Commitments refer to agreements, contracts, and various types of purchase orders that obligate Government to pay in the future once the goods or services are delivered. Under the *Financial Administration Act* (FAA), deputy ministers (as well as others) have certain authorities and responsibilities for commitments and payments of a department.

4. *What is the link between an Act and a program?*

An ***Act*** is a piece of legislation that specifies roles, authority and responsibilities. Departments or offices established under an ***Act*** are required to ensure that they meet the requirements under that legislation. While departments may have an overall mandate set by Government, the requirement to comply with legislation is absolute. Therefore, when departments establish programs to fulfill a defined mandate, they must often ensure that such programs are within applicable legislation, and as well, develop policies and procedures with respect to the program.

5. *What is a fiscal year?*

A ***fiscal year*** for Government is the period of April 1 to March 31 of the following year.

6. *What is the importance of the Financial Administration Act (FAA)?*

The FAA establishes the basic process for the financial management of the Province. In

particular, it outlines the role of the House of Assembly with respect to voting public money and establishes the roles and responsibilities for the Treasury Board, the Minister of Finance and the President of Treasury Board, deputy ministers and the Comptroller General.

7. *What is Main Supply?*

Main Supply is the term used for the annual funding approved by the legislature for each department (Head of Expenditure) with the details outlined in the ***Estimates*** (the ***Budget***).

8. *How does the funding process work for departments?*

Through the ***Budget*** process, departments must determine their funding requirements for the upcoming year and submit them to the Treasury Board Secretariat for review. The process involves analysis, discussion and final submission of a draft budget to Cabinet for approval. Once the ***Budget*** is approved and legislation (***Main Supply*** *Act*) is passed in the House of Assembly, departments are provided with appropriations (votes) equal to those in the ***Budget***. Departments can begin to spend funds once a ***General Warrant*** has been issued by the Lieutenant-Governor and ***Main Supply*** has been set up in the Oracle ***Financial Management System***. Occasionally, additional funding is provided to departments through a ***Supplementary Supply*** *Act* and special warrants.

9. *What is Interim Supply?*

Interim Supply refers to the provision of funds for expenditure after the expiration of a ***fiscal year***, but before all funds for the new ***fiscal year*** are formally approved. This interim approved funding shall only be used to fund existing Government programs or any new programs that are scheduled to be implemented.

10. *How is emergency funding made available to a department?*

Emergency funds are generated in a number of ways. Departments which are found to have a shortfall in funding, must first look to transferring funds from votes within their department to make up a shortfall. Where such transfers are not available, departments should look to the ***Special Warrant*** process. In some fiscal years, a contingency fund may facilitate access to additional funds, subject to applicable legislation.

11. *What is a Special Warrant?*

A ***special warrant*** is the term used to refer to the process whereby additional funds are issued to cover any shortfall in funding when there are no other funds to transfer from other votes within a department. Funds under this process may be issued when there is insufficient funding for existing programs or when the funding of a new service is required. These funds are then added

to the Head of Expenditure of the respective department. Special warrants are approved/issued by Cabinet and are required to be tabled in the House of Assembly.

12. What is appropriation control?

Appropriation control is the mechanism used to ensure that all spending of public money occurs as required by law. ***Appropriation*** control is a requirement of Government established in the FAA and maintained by way of an appropriation/commitment ledger under the control of the Comptroller General. Payments cannot be made unless sufficient funds exist in an ***appropriation*** (vote).

13. If I receive revenue, can I reduce my expenditure?

No. Revenue cannot be spent nor can it reduce expenditures (which effectively would "create" illegal available funds) as the Legislature determines what and how much public money is to be spent. In order to "spend" unanticipated revenues, additional appropriations would have to be approved (e.g., Special Warrants).

14. What is the difference between the Budget and the Estimates?

The ***Budget*** is the fiscal plan of Government for a ***fiscal year***. The ***Budget*** document is tabled in the House of Assembly and includes salary estimates, departmental estimates, the ***Budget Speech***, performance and economic indicators and program priorities. The ***Estimates*** is the document which provides the details of planned expenditures and revenues and public debt information for the upcoming ***fiscal year***, supporting the budget forecasts.

*15. What is the **Consolidated Revenue Fund** (CRF)?*

The CRF is the main fund of the Province as established by the FAA for the deposit of public money over which the Legislature has the power of ***appropriation*** and for the payment of public money.

16. How is spending by departments monitored?

All departmental expenditures and related budgets are tracked in the Oracle ***Financial Management System***. This Province-wide system utilized by all departments is operated by the Office of the Comptroller General. Information is accessed by the Office of the Comptroller General, the Budget Division, the Office of the Auditor General, the Department of Finance as well as other departments in order to carry out their responsibilities.

17. What is the write-back period?

The write-back period is the first 30 days following the expiration of a ***fiscal year*** or another period determined by the Lieutenant-Governor in Council. After this period any unexpended funds will lapse and be written off. As well, any invoices that are received during this period for goods or services that were rendered during the ***fiscal year*** just expired, shall be charged and form part of the expenditure for the ***fiscal year*** just expired if there are sufficient funds available.

18. What are the Public Accounts?

The ***Public Accounts*** are the financial statements of the Province consisting of four volumes. Volume I is the audited Consolidated Summary financial statements (includes the CRF and Government organizations). Volume II is the audited ***Consolidated Revenue Fund*** Financial Statements. Volume III is the ***Consolidated Revenue Fund*** Supplementary Statements and Schedules prepared on the same basis as the ***Estimates***. Volume IV contains the audited financial statements of each of the various Government organizations. Volume I and Volume II are prepared on the accrual basis of accounting.

19. What is the difference between a cash basis and accrual basis of accounting?

The cash basis of accounting records revenues and expenditures when cash is received and when payments are made. The accrual basis of accounting records revenues when they are earned, expenses when incurred and related liabilities and assets are also recorded.

20. What is important, the cash result/position or the accrual result/position?

Both are important. It is essential to know the cash position in order to ensure there are sufficient inflows of money to pay for the liabilities (bills) when they are due for payment and also to determine any borrowing requirements in making decisions to raise funds. It is essential to know and understand the financial position using the accrual basis, as this is the extent to which outstanding liabilities exceed assets, which impacts on future funding requirements and decision making. Annual results prepared on the accrual basis can be more consistently measured from year to year, thus facilitating financial analysis including comparisons from one year to another and future impacts for financial decision making. Together they are essential to the sound financial management of an organization.

21. How does the Budget (Estimates) differ from the Public Accounts?

The ***Budget*** is the financial plan and outlines the expectations forecasted based upon stated assumptions. The ***Public Accounts*** reflect the actual results of financial transactions accounted for on the stated basis of accounting. It is useful to compare a budget to actual results on the same basis as a means to analyze variations and to adjust assumptions to be used in future forecasts. Volume III of the ***Public Accounts*** provides a comparison on the same basis. In the future, accrual-based information may also be included in the ***Estimates***.

Financial Administration Act - Extracts

The purpose of this summary is to provide the reader with high-level information with respect to certain underlying principles/concepts for the administration of public money in the parliamentary system of Government in this Province. This is not intended to be all-inclusive or authoritative with respect to details or an interpretation of the *Financial Administration Act* (FAA), Government's Financial Management Policy Manual or other directives.

- The purpose and the amount (appropriation/vote) of public money that may be spent in a ***fiscal year*** are approved by the House of Assembly.

- The ***Estimates*** (***Budget***) is the document tabled in the House of Assembly for approval with a supply bill noting the amount by Head of Expenditure (departments). The Lieutenant-Governor signs a "warrant" after the supply bill is approved to officially provide the appropriations to Government and the Comptroller General credits these amounts to the departmental accounts.

- Deputy ministers are responsible for assigned Heads of Expenditure (departments) or Subheads (activities), all commitments entered into, and payments. The deputy minister of a department reports to the minister responsible for that department.

- Sufficient funds in the budget must be available before a ***commitment*** and/or a payment may be made.

- Deputy ministers are required to notify the Comptroller General of all commitments pending, and the Comptroller General must certify that sufficient funds are available before the deputy minister enters into the ***commitment***. (This is accomplished via the Oracle ***Financial Management System***.)

- When making any requests to the Comptroller General for payment, deputy ministers are required to certify that the goods have been received and prices are correct. (Deputy ministers often delegate certain signing authorities.)

- The Comptroller General is responsible for maintaining a "***commitment*** ledger" (via the Oracle ***Financial Management System***) to control spending and provide available funds information to departments in addition to the usual books of account. Certain processes are the responsibility of departments.

- Funds cannot be transferred between Heads of Expenditure (departments) unless specifically approved in a supply act.

- Funds, along with actual costs for activities, may be moved to an existing or new department as a result of a reorganization of departments under the *Executive Council Act*.

- If additional funds are required during a year, they may be provided via:

  . countervailing savings (per transfer of funds policy) within the Head of Expenditure;
  . contingency fund (as may have been provided in original supply bill);
  . ***special warrant*** (existing service/new service);
  . supply bill (supplementary).

- All public money received must be deposited promptly in the "***Consolidated Revenue Fund***" (from which payments are made).

- Any unexpended funds lapse at the end of the ***fiscal year*** (including the thirty-day write-back period).

- Settlement/write-off of amounts due to the Province or remission of accounts, must be approved by Treasury Board and /or Cabinet, except where delegated to departments under the FAA.

- Deputy ministers must obtain the approval of the Lieutenant-Governor in Council (Cabinet) prior to entering into any "pre-commitments" (that is any agreement to obtain goods/services for delivery and payment in a subsequent ***fiscal year***).

- Amounts due to suppliers may be intercepted to apply against balances owing by suppliers after usual collection efforts are carried out.

- Expenditures cannot be reduced by revenues (thus freeing up funds).

- Special purpose money received may be paid out for that special purpose without an ***appropriation***, in accordance with provisions in the FAA.

- Any commitments (often referred to as encumbrances) existing at the end of a ***fiscal year*** are carried forward and applied against the ensuing year's appropriations.

- The Comptroller General has various reporting responsibilities to the Treasury Board and to the Minister (for the House of Assembly) with respect to any departmental non-compliance matters.

- The Comptroller General has the right of access to departmental records, information, etc., as noted in the FAA.

- The Comptroller General has responsibilities with respect to banking.

- The ***Public Accounts*** of the Province are prepared by the Comptroller General based upon the requirements in the FAA and good accounting practices (Volume III shows the state of the ***Consolidated Revenue Fund*** on a cash basis; Volume II shows the state of the ***Consolidated Revenue Fund*** on an accrual basis; Volume I shows the Consolidated Summary position of the Province on an accrual basis).

- There are various other powers and responsibilities of Treasury Board, ministers and deputy ministers. There are also matters pertaining to debt, investments and sinking funds in the FAA, however, these areas are generally the responsibility of the Minister (Department of Finance) and generally don't involve the other departments.

- The FAA also deals with offences, penalties and other related matters.

- Departments should be aware that when acquiring goods or services, other legislation must be complied with such as the *Public Tender Act* and policies/procedures issued by the Government Purchasing Agency.

For additional assistance with respect to matters described above and the *Financial Administration Act*, please contact the Director of Government Accounting. As the Act is amended from time to time, please refer to the actual Act, including any regulations and amendments.

Further information may also be obtained from the following websites:

- www.gov.nf.ca
- www.gov.nf.ca/hoa/sr/
- www.gov.nf.ca/exec/treasury/tb_ovr.htm
- www.gov.nf.ca/ComptrollerGeneral/default.htm

1.0 Introduction

1.1 Financial Management

Financial management is the organizational function concerned with the efficient allocation and effective use of available financial resources to achieve optimal results. Budgeting, accounting and other financial measures, including accurate and timely reporting systems are a valuable means of providing management with the financial data necessary for objective analysis and evaluation of current programs and activities. They also provide essential data for realistic planning and control, and for effective decision making.

Effective financial management requires the assistance and cooperation of all departments within Government and the various Government organizations.

In the parliamentary system of government, the FAA (or similar ***act***) is the primary statute upon which the financial administration of a province is structured.

1.2 Legislative Process

It is the responsibility of the Government of the day to set the overall strategic direction for the Province. This direction describes the manner in which the finances of the Province will be utilized to achieve desired outcomes.

The administration of the financial affairs of the Province is based upon the obligation of the House of Assembly, as the elected representatives of the people, to ensure that the public purse is properly managed and controlled. Control is exercised through legislation which holds Government accountable to the House of Assembly and the public for the way it manages the Province's financial and other resources.

1.3 Lieutenant-Governor in Council (Cabinet)/Treasury Board

The Executive Council (Cabinet) is appointed under the *Executive Council Act*. Treasury Board is a committee of Cabinet. This committee is composed of not less than 7 members (Ministers) who provide direction on the financial management of the Province as well as other areas such as personnel management.

The Treasury Board establishes the overall management framework which the departments must work within.

1.4 Departments

Departments are expected to develop policies and procedures which support the overall direction of Government, function within the management framework established by Treasury Board and Cabinet, and operate under all applicable legislation. The direction, control, and monitoring of the financial position of the Province are maintained through the development of these policies and compliance with stated guidelines and legislation.

The *Executive Council Act* and the attached schedules contained within it which establish the various departments, place responsibility on the incumbent Ministers for the administration of the programs of their respective departments.

The deputy minister of a department is responsible for commitments and expenditures pursuant to the *Financial Administration Act* in addition to his/her other responsibilities.

2.0 The Financial Administration Act (And Other Related Acts)

2.1 Financial Administration Act Overview

The FAA is the primary, statutory base upon which the financial administration and operations of the Province are structured. The Act establishes the authorities and responsibilities for the control and management of the Province's financial affairs and the manner in which the Government must render an account of its stewardship responsibilities.

Other sources on policies and procedures are available from the Office of the Comptroller General. Some examples include:

- Government Financial Management Policy Manual
- Financial Management Circulars
- Accountability and Governance Guidebooks and Handbooks

2.2 Roles under the Financial Administration Act

Given the significance of the FAA to the overall financial administration of the Province, it is important to have a good understanding of the Act. In the sections which follow, a very brief summary of the major elements of the legislation is discussed. Please note that these summaries represent only an interpretation of the Act. An actual reading of the Act is necessary to understand precisely what is intended in its content and in some instances a legal opinion may be required.

A. Treasury Board

- Composed of a committee of not less than 7 members of the Executive Council (Cabinet).
- Has power on all matters relating to the financial management, administrative policy in the public service, and personnel management.
- Has the power to prescribe the manner and form of the financial accounts and estimates, and provide direction on the receipt and disbursement of public money.
- The Secretary to the Treasury Board is a public servant appointed by Cabinet to support the Treasury Board and also serves as the "Deputy Minister" for the Treasury Board Secretariat.

B. Public Money

- Includes all money received, held or collected for or on behalf of the Province.
- All public money over which the legislature has power of ***appropriation*** forms a fund called the ***Consolidated Revenue Fund*** (CRF).
- The CRF is the main account of Government. Money in this fund is to be used for the payment of public services.
- All public money is to be promptly credited to the CRF in the manner prescribed by the Treasury Board.

C. Ministers

- Ministers are responsible for their respective department's programs and overall administration in accordance with Government's policies and applicable legislation.

D. President of Treasury Board/Minister of Finance

- Often the President of Treasury Board and the Minister of Finance are the same individual.
- The President of Treasury Board is responsible for presiding over meetings of the Treasury Board and shall perform the duties, powers and responsibilities that the Board and Cabinet determine.
- The Minister of Finance has specific responsibilities as outlined in the *Financial Administration Act*, including tabling in the House a report of the Comptroller General, the ***Public Accounts*** of the Province and the ***Budget*** (***Estimates***).
- Other responsibilities include:
  - Cash management functions, including short-term investing and temporary borrowings.
  - Long-term borrowings and related debt servicing.
  - Administration and investment of sinking funds created for the retirement of long-term debt.
  - Borrowing, or the assumption of debt, for the purpose of settlement of indebtedness guaranteed by the Province.
  - All matters related to the raising of loans and management of debt, including execution of agreements, foreign exchange contracts and securities.

E. Deputy Ministers

- A deputy minister is responsible for an assigned Head of Expenditure/ Department for commitments incurred, payment requests and general financial and policy administration.
- Deputy ministers support and provide advice to his/her minister.
- Deputy ministers are appointed by Cabinet as outlined in the *Executive Council Act* and have the powers, duties and responsibilities as listed in the *Financial Administration Act* and various departmental acts. As well, deputy ministers may also receive direction from the Minister and Cabinet.

F. Comptroller General

- Appointed by Cabinet to ensure control over the CRF; only removable by the Lieutenant-Governor on address of the House of Assembly.
- Has free access to all books, accounts, files, and documents of departments.
- Establishes the bank accounts for the Province.
- Keeps the accounts of the Province, including the ***commitment*** ledger.
- Provides advice and supports the Secretary of Treasury Board and other Executives.
- Prepares ***Public Accounts*** of the Province.
- Has various reporting responsibilities.
- Performs professional financial, analytical and internal audit services.
- Other duties as assigned by Cabinet.

G. Expenditures

- There are to be no expenditures of public money except under the authority of the Legislature. Special purpose/trust money and expenditures for servicing of the public debt/pensions, for example, are authorized via the FAA.
- Estimates for expenditures must be submitted to the House of Assembly for all goods and services due in a ***fiscal year***. The estimates show departmental estimates known as 'Heads of Expenditure'.

- Departments must ensure that they certify all expenditures, and notify the Comptroller General of any ***commitment*** of public funds.

H. Appropriation Control

- Only expenditures for activities approved by the Legislature are to be paid, provided there are sufficient available funds. There is a requirement to ensure only the approved funds are accessible to related departments. Funds cannot be transferred between departments unless specified otherwise in a Supply Act (or in the *Executive Council Act* in relation to the reorganization of departmental duties and functions.) This control is called ***appropriation*** control.
- It is the Comptroller General's responsibility to ensure that departments only have access to approved funds.
- Each year the accounts of the departments are established in accordance with the ***Estimates***, and ***appropriation*** control is exercised by way of a computerized ***financial management system*** (Oracle) maintained by the Office of the Comptroller General.

I. Public Accounts

- It is the Comptroller General's responsibility to ensure that all revenues, expenditures, and commitments are properly recorded and reported in the ***Public Accounts*** of the Province.
- The ***Public Accounts*** must show the Province's debt, revenues and expenditures and amounts that have been remitted or written-off during the year.
- The ***Public Accounts*** are to be prepared and submitted annually to the House of Assembly.

2.3 Roles Under Other Related Acts

A. Office of the Auditor General

- The Office of the Auditor General operates under the authority of the *Auditor General Act*.
- The Auditor General is an officer of the House of Assembly and is the independent Legislative Auditor of Government, its departments, all agencies of the Crown and Memorial University of Newfoundland.
- The Auditor General brings an independent audit process to the manner in which conferred responsibilities of Government departments and agencies are discharged in the public sector and reports directly to the House of Assembly on the results of these audits.
- The role of the Auditor General complements the accountability relationship which exists between Government, its departments, agencies of the Crown, Memorial University of Newfoundland, municipalities, and the House of Assembly.
- The Auditor General reports to the House of Assembly on significant matters which result from the examinations of Government, its departments and agencies of the Crown and Crown controlled corporations.
- The Auditor General is the independent auditor of the Province's financial statements and the financial statements of many agencies of the Crown, and as such, expresses an opinion on these financial statements.

B. Public Accounts Committee

- The Committee is composed of seven members from the elected Members of the House of Assembly. It consists of four members from the governing party and three members from the official opposition party. Ministers do not serve on the Committee.
- The Committee is established as per Standing Orders 65-70.
- The Chairperson is a member of the official opposition party.
- The Vice-Chairperson is a member of the governing party.
- The Committee is to operate in a nonpartisan fashion to hold Government accountable to the House of Assembly for the stewardship of public assets and the spending of public funds. This would include the investigation or review of all past, current, and committed expenditures of Government.
- Under the *Auditor General Act*, the Committee may request the services of the Auditor General's Office to perform specific reviews or tasks.
- Reviews and analyzes initiatives to reform financial management and control structures and processes to ensure that due regard is given to maintaining legislative accountability and enhancing it where possible.
- Reviews and reports to the House of Assembly on matters such as those reported on in the Auditor General's reports and other issues related to the financial administration of Government.

2.4 General

The *Financial Administration Act* and other legislation may be amended from time to time. Copies of Acts, Regulations and Amendments may be obtained from the Queen's Printer. Unofficial copies are also available on the web at www.gov.nf.ca/hoa/sr/.

Appendix I provides a detailed summary of the *Financial Administration Act* along with a Topical Index for general information only, as at October 2002. Only an official copy of the Act should be used for interpretation and decision making.

3.0 The Financial Plan

3.1 The Budget

The financial plan of Government is generally presented on an annual basis to the House of Assembly in its ***Budget***. The ***Budget*** generally includes the following:

- economic indicators and data for the previous year and the outlook for the budget year;
- financial information as to the fiscal performance for the previous year and the forecast for the budget year;
- information as to the Government's priorities for the budget year; and
- program impacts and expectations.

Often, the terms ***Budget*** and ***Estimates*** are used interchangeably.

3.2 The Estimates

The ***Budget*** is supported by the ***Estimates*** which includes the details of gross expenditures for the various departments' activities, revenue projections, capital account result, current account result, net result and borrowing requirements for the budget year. Also included in the ***Estimates*** are various charts, graphs, information as to the public debt and other supplementary information.

The ***Estimates*** include statutory/non-statutory expenditure details and the amount to be voted by the House of Assembly for each Head of Expenditure (Departments). Also included is the funding to be provided to/from the various public entities.

3.3 General

Additional details as to the Estimates/Budget process and various roles and responsibilities are included in Appendix II for general information purposes only.

The process, roles and responsibilities may change from time to time. The information presented in the Appendix is current at the date of publication. The Budget Division of Treasury Board may be contacted for further information.

4.0 Expenditures/Revenues

4.1 Spending Rationale

Authority to spend public funds must, by law, originate in the House of Assembly.

The authorization of the Legislature for expenditures may be in the form of supply acts. Expenditures under this legislation generally relate to administrative (e.g., payroll, supplies, rent costs, etc.) or program-related costs (e.g., Social Assistance payments, etc.).

Authorization can also be provided by way of continuing statutory authority where legislation provides authority for specific expenditures. Examples of these types of expenditures include those related to interest on the public debt, redemption of loans raised by the Province and payments to sinking funds. These payments are specifically authorized by way of the FAA and they do not go through the normal budget process although the statutory payment amounts are included in the ***Estimates*** for the information of the House of Assembly.

Additional details on the authorization for expenditures and payments may be found in Appendix III. The information provided includes a summary of the various authorities concerning spending, purchasing and payment.

4.2 Departmental Expenditure Responsibilities

A. Financial Administration Act

As per the FAA, departments have certain responsibilities when they spend public money. In particular:

- Departments can only spend against an approved ***appropriation*** for that purpose.
- Departments can only spend if there are funds available in that ***appropriation***.
- Requests for payments must be certified as to goods and services received.

B. Other Legislation

In addition to these responsibilities, other legislation may impact on a department's ability to spend. For instance, departments entering into contracts are subject to the *Public Tender Act*. Under this Act, there is a requirement to seek public bids on Government-related work. While there are exemptions allowable in certain defined circumstances, departments are responsible for ensuring adherence to such requirements.

The *Executive Council Act* provides for the creation of departments (head of expenditure) and the appointment of ministers. It also provides for the appointment of deputy ministers as necessary for the proper conduct of the business of a department.

C. Policies and Spending Authority

In addition to the legislation authorizing expenditures, policies may be established by Cabinet outlining specific guidelines and responsibilities. For example, guidelines have been

established for the hiring of external consultants. These guidelines apply to the purchase of services that are generally exempt from the *Public Tender Act*. Such services include engineering, accounting and other professional services.

D. Funds Commitment

As per the *Financial Administration Act*, departments cannot enter into commitments (agreements/contracts/purchase orders, etc.) unless:

- There are sufficient funds available prior to entering into the ***commitment***; and
- Departments must notify the Comptroller General of any commitments.

E. Transfer of Funds

Departments have been delegated some authority to transfer funds into and out of certain accounts to ensure operational efficiency. This occurs under the "Transfer of Funds" Policy of Treasury Board, pursuant to applicable provisions in the FAA. Transfers between departments are not permitted unless specifically provided for in a Supply Act.

F. Special Warrants

Where a department finds that there is an urgent necessity (either for new or existing services) for funds for which there is no or insufficient budgetary ***appropriation*** within the department, a ***special warrant*** may be prepared. The department must first ensure that there are no countervailing savings available. The Treasury Board Secretariat facilitates this process, and all special warrants must be approved by Cabinet and tabled in the House of Assembly.

4.3 Revenue

All revenue must be deposited into the ***Consolidated Revenue Fund*** and is available for ***appropriation*** by the House of Assembly (as per the ***Estimates***). Expenditures cannot be reduced by crediting revenues against them.

4.4 The Public Accounts

A. Chart of Accounts

The Oracle ***Financial Management System*** tracks individual expenditures and revenues within Government. The ***Chart of Accounts*** is the coding used by the Financial System to classify, store and maintain expenditures from the highest to the lowest levels. At the highest levels, spending is tracked for the entire Government, it is then further broken down into general expenditure areas by department, activities and finally into an individual expenditure item known as a ***line object***. In this way, analysis can be completed to show Government's expenditures at the lowest levels.

B. Recording and Reporting

The recording and reporting of actual spending and revenues are two different activities. Recording as indicated, involves the tracking of items by way of the ***Chart of Accounts*** and recording individual financial transactions.

Reporting of expenditures and revenues involves the use of inquiry, ad hoc and monthly reports, and financial statements to convey financial information. While the recording of information must meet internal needs, reporting of financial information must often meet the needs of a number of internal and external stakeholders (including: Government, taxpayers, debt rating agencies, banks, other Government users, etc.). To appropriately present Government information, generally accepted accounting principles and legislation are followed to prepare the ***Public Accounts***. The ***Public Accounts*** then, represent the overall financial results or actual activities of Government throughout a fiscal period. These accounts must be tabled in the House of Assembly no later than February first of each ensuing year.

The ***Public Accounts*** consist of four volumes:

Volume I is the Consolidated Summary Financial Statements. They include the ***Consolidated Revenue Fund*** and government organizations. These are prepared on the accrual basis of accounting and are audited.

Volume II is the ***Consolidated Revenue Fund*** Financial Statements. They are prepared on the accrual basis of accounting and are audited.

Volume III is the ***Consolidated Revenue Fund*** Supplementary Statements and Schedules (commonly referred to as the cash statements). These statements are prepared on the same basis as the ***Estimates***.

Volume IV is the reproduction of the various government organizations' audited financial statements.

5.0 Glossary of Terms

Act
A Bill of the Province passed in the House of Assembly and signed into law by the Lieutenant-Governor.

Appropriation
A vote of money by the House of Assembly to permit payment of public money for the specified purpose(s).

Budget
The financial plan of Government, generally presented to the House of Assembly annually.

Budget Speech
This is the formal presentation of the budget to the House of Assembly by the Minister of Finance. The annual Budget Speech represents one of the major public statements of Government policy undertaken each year.

Chart of Accounts
The seven segment coding used to classify, store and maintain the accounts of the Province. It is a list of all financial accounts used by Government to organize, collect, and report the financial transactions in the accounting records of the Province.

Commitment
An obligation arising out of an agreement between the Government and another person to make payment from an appropriation of the Legislature (also known as encumbrance).

Consolidated Revenue Fund
This is the main fund of Government. Money in this fund is to be used for the payment of public services. The Consolidated Revenue Fund (CRF) contains the public money over which the legislature has power of appropriation.

Estimates
The Estimates present the estimated expenditures and revenues for the programs of all Government departments, based on the activities to be undertaken. This is the detailed document which is tabled in the House of Assembly as the annual Provincial Budget and supports the ***Main Supply*** Bill.

Financial Management System (FMS)
This is the central financial system of Government which is maintained by the Office of the Comptroller General. The current system is based upon the Oracle Financial Suite of products, which was first implemented by Government in November 1998.

Fiscal Year
The period beginning on April 1 in a year and ending on March 31 in the following calendar year.

General Warrant
This is one of the legal documents approved by the Lieutenant-Governor upon approval of the Budget by the House of Assembly. When signed, this document represents approval for departments to spend public money as per the *Supply Act*, supported by the detailed Estimates.

Interim Supply
Provides funds, as approved by the House of Assembly or as per the *Financial Administration Act*, for program expenditure after expiration of one fiscal year and before budgetary funds are formally approved for a new fiscal year through main supply.

Line Object
It is a low-level accounting classification which tracks individual transactions for revenue or expenditure items of Government.

Main Supply
Provides funds as detailed in the annual budget/estimates and is approved by the House of Assembly.

Public Accounts
The Public Accounts present the overall financial results of Government financial activities for a fiscal period and are the financial statements of the Province.

Special Warrant
Approval for additional funding for a department for a new service which had not been foreseen by the Legislature (or insufficient funding provided). To employ this funding mechanism, a department must demonstrate the urgent nature of the request and that there are no countervailing savings that can be used for transfer within the department.

Supplementary Supply
Provides additional funds in a fiscal year at levels greater than that initially approved in the Budget. This bill also summarizes any special warrants which may have been issued during the fiscal year and seeks formal approval by the House of Assembly for these additional expenditures.

APPENDIX I

FINANCIAL ADMINISTRATION ACT HANDBOOK

Introduction

This Handbook presents a high-level summary of various sections of the *Financial Administration Act* (FAA) and is provided for information purposes only. It is not to be considered as an interpretation of that Act or to be used to form an opinion. The *Financial Administration Act* may undergo revision from time to time and consequently the latest version of the Act should be obtained from the Queen's Printer for use in decision making.

A reference to a section in the Act may appear more than once because of its relationship to several topics.

Based on the FAA as at: October 2002

Section	*Comments*
	Definitions
2	Various definitions of key terminology used in the FAA; a few examples:
	2(c) "Commitment" means an obligation arising out of an agreement between the Government and another person to make payment from an appropriation of the Legislature;
	2(i) The "Minister" means the Minister of Finance;
	2(l) "Public body" means a board, corporation, commission or similar body, established by an Act or under an Act to which paragraphs 6 (c), 7 (1) (f), and 7 (2) (b) to (f) are made to apply by order of Lieutenant-Governor in Council;
	2(m) "Public money" means all money received, held or collected for or on behalf of the Province by the Minister or other public officer in his/her official capacity or by a person authorized to receive, hold or collect the money, and includes: • all revenues of the province; • money borrowed by the province or received through issue/sale of securities; and • money paid to the province for a special purpose.
2(2)	Issues of public money include payments by cheque, etc. or an accrual entry as defined by Treasury Board.
	Treasury Board Structure
3	Provides for not less than a 7 member Treasury Board, including the President of Treasury Board.
	Treasury Board Rules
4	The Board may determine its rules and methods and keep minutes.
	Secretary of the Treasury Board
5	Lieutenant-Governor in Council appoints Secretary of the Treasury Board who ranks as a deputy head of a department. Also provides for a Deputy Secretary of the Treasury Board, clerks and officers.
	Treasury Board Functions
6	Treasury Board is a committee of the Executive Council on all matters pertaining to: • financial management of the province; • administrative policy of the province; • personnel management in the public service and a public body; and • other matters referred to it by this Act and Cabinet.

Section *Comments*

Treasury Board Powers

7(1)(a) to (f)

The powers of the Board are outlined and include such examples as:

- manner and form of the Estimates;
- manner and form of the accounts;
- manner and form of preparation of Public Accounts; and
- collective bargaining.

The powers of the Board also include:

7(2)(b) personnel requirements;

7(2)(d) pay; and

7(2)(e) pensions, etc.

Application of the Act to Boards

8 Lieutenant-Governor in Council orders that specific paragraphs 6 (c), 7 (1) (f), 7 (2) (b) to (f) apply to boards, etc.

Regulation

9 Treasury Board can make regulations (approved by Cabinet) to cover:

- the retention/disposal of records;
- collection, disbursement, administration, etc. of public money; and
- other matters.

Reports by Treasury Board to Lieutenant-Governor in Council

10 Treasury Board shall report important matters to Cabinet.

Power of Lieutenant-Governor in Council

11 Cabinet may amend/revoke an action by the Treasury Board.

Public Money

12 All money over which the Legislature has the power of appropriation forms the Consolidated Revenue Fund (CRF).

Payment into CRF

13,14 Immediate deposit of public money into CRF; related records are to be kept; collector/ receiver of public money may give security by bond; etc.

Investments

15 Outlines the types of investments in which the CRF money may be held.

Section	*Comments*
	Revenue - Federal Write-back
16(1)	Within 30 days after year-end, federal revenues received may be included in the Public Accounts for year just ended; extension per Cabinet.
	Revenue Refunds
16(2)	Charged to revenue if the source of revenue is still available, otherwise treated as an expenditure.
	Expenditure Refunds
16(3)	Refunds of expenditures relating to the previous fiscal year may be credited by the Comptroller General to the expenditure of that year, if adjusted prior to forwarding of the Public Accounts for audit.
	Settlement of Debt
17	Minister may negotiate and accept a settlement of debt or claim due, subject to approval of the Lieutenant-Governor in Council. (possible delegation under review).
	Write-off
18(1)	The Treasury Board may write off a debt or fine.
18(2)	The Board may authorize Deputy Ministers of the departments to write off deficits of $1,000 or less.
18(3)	Write-offs under this section may still be recovered by the Crown.
	Remissions
19(1)	Cabinet may remit a tax, duty, toll or fine payable to the Crown.
19(1.1)	Minister may remit a tax in amounts of less than $5,000 as recommended by Treasury Board.
	Comptroller General
20(1)	Appointment of an officer called the Comptroller General.
20(2)	Comptroller General shall discharge duties assigned by this Act and the Lieutenant-Governor in Council.
20(3)	Comptroller General has free access to books, accounts, files, etc.
20(4)	Comptroller General may establish accounts with accredited banks or financial institutions for deposit and payment of public money subject to any directive of the Treasury Board.
20(5)	Comptroller General holds office during good behaviour until the age of 65, but is removable by the Lieutenant-Governor on address of the House of Assembly.
20(6)	Comptroller General shall have leave, pension, etc.

Section *Comments*

Comptroller General Absent

21 If there is no Comptroller General, an Assistant Comptroller General, etc., may be designated by name or office by Cabinet to carry out duties.

Payments of Public Money

22 No issue of public money permitted unless under authority of the Legislature except as follows:

22(a) ***Special Purpose Fund/Trust Accounts***
Money received for a special purpose or in trust may be paid out of the CRF for the purpose for which the money was received, subject to any statute dealing with that special purpose or trust money.

Statutory Payments
These include:

22(b,c) Payments may be made (per specific section of the FAA) for investments, principal and interest on debt, sinking funds, loans expenses, and tax recoverable from Federal Government.

22(d) Annual salaries of Comptroller General and Auditor General.

22(e) Pensions and gratuities.

As per other authorities of the Legislature.

22.1(1) An issue of public money may be made for payment of a tax with respect to an agreement between the province and the Government of Canada which provides for a tax rebate.

HST

22.1(2) Tax paid out per 22.1(1) is a receivable.

22.2 A refund or rebate referred to in the *Tax Agreement Act* shall be considered a reduction of revenue payable to the province per that agreement.

Estimates

23(1) ***Unexpended Appropriations***
Estimates of expenditure submitted to the Legislature should be for goods and services coming in the course of payment during the fiscal year. Any remaining balances of appropriations at the close of the fiscal year shall lapse.

23(2) ***Write-back of Expenditures***
Invoices received by the Comptroller General within 30 days of year-end shall be written back if there is a balance at credit of appropriation. [notwithstanding 23 (1)]

23(3) ***Head of Expenditure***
The total amount of Public Money appropriated by Legislature assigned to a particular department shall be referred to as the "Head of Expenditure".

Section	*Comments*
23(4)	***Subheads*** The Head of Expenditure shall be divided into subheads (activities) by the Treasury Board and exhibited in the Estimates.
23(5)	***Subdivisions*** The Treasury Board may subdivide subheads into subdivisions (main objects) and, where practical, exhibit them in Estimates.

General Warrant for Expenditure

24 When a sum of money has been granted to the Crown by an Act, the Lieutenant-Governor signs authority to the Minister to issue money out of that appropriation account not exceeding the sum voted by the House of Assembly. The authority is countersigned by a member of the Treasury Board.

Appropriation Accounts

25(1)	***Credit of Accounts*** Lieutenant-Governor issues his/her warrant authorizing payments, as required, to defray expenses and the expenditures as assigned to the departments; the appropriation accounts maintained by the Comptroller General are credited with the amounts available to be spent.
25(2)	***Prior Years/Commitments*** At the beginning of each fiscal year, all unpaid balances of contractual obligations or commitments from the previous fiscal years are carried forward. They are the first charge against the next year's appropriations.
25(3)	***Issues of Public Money by Comptroller General*** The Comptroller General shall direct and control payments by cheque or other means approved by the Board. Cheques or other instruments shall be in the form approved by the Board. No payment shall be made in excess of an appropriation authorized by the Legislature or by special warrant.
25(4)	***Payment Requests*** Departments request payment in the form and manner, including the documents and certification, as required by the Comptroller General.
25(5)	No payment may be made unless the Comptroller General or his designated officer has certified that there is a balance of funds available for the specified service.
25(6)	***Payments from Appropriations - Condition of Contract*** It is a condition of every contract (except as otherwise provided in another Act) that payment is subject to there being an appropriation for the particular goods or services for the fiscal year in which payment under this contract is due.
25(7)	***Report to the Auditor General by Comptroller General*** Comptroller General provides a statement to the Auditor General along with (reasonably requested) supporting accounts of payments from the CRF.

Section *Comments*

Departmental Commitments (obligations to pay)

26(1) A deputy minister must notify the Comptroller General of a commitment chargeable against a Head or subhead (activity) for which he/she has been assigned responsibility.

26(2) A deputy minister or other officer shall not enter into a commitment (obligation arising out of an agreement between government and another person to make payment) unless an appropriation exists or is in a sufficient amount to meet the commitment.

Report to Board by Comptroller General (commitment)

26(3) Unless there is pre-commitment approval, the Comptroller General reports to the Treasury Board commitments for which there are no appropriations or insufficient appropriations.

Pre-commitment

26(4) Cabinet, on the Board's approval, may authorize an agreement to be entered into for purchase of goods or services to be delivered in a subsequent fiscal year as long as payment is due in a subsequent fiscal year and the minister/deputy minister of that department is of the opinion it is necessary to make the agreement.

26(5) All documents related to section 26(4) must be tabled in the House within the noted time frame and included in future years' Estimates.

Ledger kept by Comptroller General

27(1) The Comptroller General shall keep the appropriations by Head (department), subhead (activity), and subdivision (main object) as per estimates, against which shall be charged authorized expenditures.

27(2) Commitments chargeable against each appropriation shall be kept in a record by the Comptroller General in a format prescribed by the Board.

Statements to Deputy Ministers by Comptroller General

27(3) The Comptroller General shall provide each deputy minister with a statement of charges against his/her department.

27(4) When a subhead (activity) or subdivision (main object) is exhausted, the Comptroller General shall notify the deputy minister and shall not allow further charges.

Special Warrants

28(1) Countervailing savings from subheads within a Head may be transferred within a department (no transfers across departments unless legislation allows) as per the consent in writing of the Treasury Board.

28(2) Where new money is required for continuing services, a special warrant may be prepared for signature by the Lieutenant-Governor (process outlined in the Act) if the necessity is urgent and no countervailing savings are available.

Section *Comments*

28(3) Where new money is required for new services and the House has been adjourned for more than 30 days, a special warrant may be prepared for signature by the Lieutenant-Governor (process outlined in the Act) when the necessity is urgent. The Comptroller General is to set up a new subhead on the books.

28(3.1) Provision of interim supply for a period not exceeding 4 months is permitted via special warrant if House dissolved (process outlined in the Act).

28(4) Special warrants issued under Section 28 (2) shall be tabled within 3 days of issue while Legislature is in session and in all other cases within 15 days of the opening of the next session of the House.

Duty of Comptroller General (not to issue payments)

29(a) No payment if no legislative appropriation provided.

29(b) No payment if no other appropriation provided under the FAA.

29(c,d) No payment if it is in excess of an appropriation or in excess of sums deposited in trust to government.

Report to Board by Comptroller General (liability)

29 Report to Treasury Board if a case comes to the Comptroller General's attention in which a liability has been incurred by a minister/deputy minister, etc., which contravenes the FAA; the Board takes whatever action it considers necessary.

Deputy Minister's Responsibilities Regarding Payments/Certifications

30(1)(a)

Certification is required from the deputy minister (or designate) requesting payment (in addition to other information required). The deputy minister must certify such things as the work has been performed, the goods supplied or the services rendered, the price is in accordance with contract or reasonable, and that prepayments are made as required by contract.

30(1)(b)

Person incurring expenses for travel must certify:

- expenses were incurred on government business; and
- expenses are in accordance with rates/amounts/allowances per Treasury Board policy.

30(3) Any cheques issued in contravention of the FAA are the responsibility of the applicable deputy minister.

Should the Auditor General or others inform the Comptroller General of above, the deputy minister is responsible to provide evidence to Treasury Board. The Comptroller General is not responsible for overpayments; deputy minister has to repay.

Interest on Overdue Accounts

30(2) Interest may be paid on overdue accounts as per Treasury Board policy.

Section *Comments*

Arrears (Recovery of Public Money)

31(1) Department officials are to notify Comptroller General of indebtedness so the Comptroller General may take steps he/she feels necessary to recover.

31(1) Recovery includes payment interception.

31(2) Overpayments made out of the CRF for wages, allowances or pensions, may be recovered out of money payable to the person.

Withholding Money

32 Where the Crown commences action or makes a counter claim or where there are criminal charges related to money due the Crown and, the person owing money to the Crown makes a claim against the Crown, Cabinet may order that the amount be withheld from payment until the court settles.

Report to House by Comptroller General (declines to issue payments; via Minister)

33(1) The Comptroller General may decline to issue public money from the CRF if:

- the amount is not justly due, or
- the amount is in excess of authority granted by cabinet, or
- there is no legislative authority for the amount, or
- the Comptroller General disagrees with the deputy minister as to state of the unencumbered balance, or
- the Auditor General objects.

33(1) A report on the denial to issue public money is to be prepared by the Comptroller General to the Treasury Board. The Board judges and may sustain the actions of the Comptroller General or order payment.

33(2) The Comptroller General prepares a statement of payments made over his/her objection.

33(3) The statement in Section 33(2) is delivered to the Minister for presentation to the House not later than the 15th day of the next session.

Advances

34(1) The Comptroller General may advance money to a member of the public service (employee) on public business for travel or other necessary expenses properly chargeable to an appropriation.

34(2) Notwithstanding Section 30, the Comptroller General may advance money per Treasury Board directive, when immediate cash settlement is required, and is chargeable to an appropriation.

34(3) The Comptroller General may recover such advances from an employee if not repaid or properly accounted for. ("Loans" to employees are not allowed here.)

Refunds/Repayment of Expenditure

35 If received in the same fiscal year in which the expenditure was charged to an appropriation, it can be credited to the expenditure; if not, it is revenue in the year received.

Contractors Holdbacks

36 Payments withheld under a contract to ensure performance, may be set aside in a special account in the CRF for payout per the contract under the regulations.

Sinking Fund Surplus

40 Excess money in a sinking fund over that required to redeem the issue, may be paid into the CRF.

Public Debt

37-57 These sections include such issues as:

- Various legislated requirements in the FAA related to public debt;
- Statutory payments;
- Money raised forms part of the CRF (not revenue); and
- Assumption of guaranteed loans tabling requirements are noted.

Accounting System/Books

58 Under the general direction of the Comptroller General, they show among other things:

- the state of the CRF;
- revenues and expenditures for the current fiscal year;
- commitments for the fiscal year per Head; and
- charges against the CRF (payments).

Public Accounts

59(1) The Comptroller General prepares the public accounts for submission for audit and onward transmission to the Minister for tabling in the House of Assembly.

59(2) The Public Accounts include:

- the state of public debt;
- the revenue and expenditure;
- all compromises, remissions, refunds and write-offs; and
- accounts/statements required under good accounting practice to show the financial position of the Province at year-end.

Tabling of Public Accounts

60(1) Tabled in the House of Assembly before February 1.

60(4) The Minister may present the Public Accounts to the Clerk of the House of Assembly for distribution to the MHAs (deemed tabling).

Section	*Comments*
	Alteration of Time
61	Treasury Board can alter the time frame for rendering of accounts to facilitate the correct preparation of the Public Accounts.
	Failure to Account for Public Money
77	Process outlined for the Minister to follow when a person is in receipt of public money and has not paid it over/accounted for it/not applied for the purpose for which it is held.
	Evidence
78	Process outlined for the Minister to receive evidence via affidavit concerning a person refusing to pay over public money, etc.
	Penalty for Not Reporting
79	$100 penalty for not reporting an account or statement, with proper vouchers etc.
	Liability for Loss
80	The person responsible is required to pay if negligent, etc., in paying over public money.
	Offences
81	A public servant who is convicted under Section 81 is dismissed from office and fined up to $500 and imprisonment up to 1 year.
	Bribe
82(2)	A public servant who is convicted under Section 82 is forever disqualified from holding public office.
	Property of the Crown
84	Books, documents, etc., belong to the Crown.
	Regulations
87	Cabinet may on recommendation of the Treasury Board make regulations to give effect to the Act and provide for a deficiency in the Act.

Prepared by the Office of the Comptroller General based on the FAA as of October 2002 (for information only - refer to actual Act in making an interpretation, etc.).

Topical Index

Page

Accounting System/Books ... 24
Advances ... 23
Alteration of Time ... 25
Application of the Act to Boards ... 17
Appropriation Accounts ... 20
Arrears (Recovery of Public Money) ... 23
Bribe ... 25
Comptroller General ... 18
Comptroller General Absent ... 19
Contractors Holdbacks ... 24
Credit of Accounts ... 20
Definitions ... 16
Departmental Commitments (obligations to pay) ... 21
Deputy Minister's Responsibilities Regarding Payments/Certifications ... 22
Duty of Comptroller General (not to issue payments) ... 22
Estimates ... 19
Evidence ... 25
Expenditure Refunds ... 18
Failure to Account for Public Money ... 25
General Warrant for Expenditure ... 20
Head of Expenditure ... 19
HST ... 19
Interest on Overdue Accounts ... 22
Introduction ... 15
Investments ... 17
Issues of Public Money by Comptroller General ... 20
Ledger kept by Comptroller General ... 21
Liability for Loss ... 25
Offences ... 25
Payment into CRF ... 17
Payment Requests ... 20
Payments from Appropriations - Condition of Contract ... 20
Payments of Public Money ... 19
Penalty for Not Reporting ... 25
Power of Lieutenant-Governor in Council ... 17
Pre-commitment ... 21
Prior Years/Commitments ... 20
Property of the Crown ... 25
Public Accounts ... 24
Public Debt ... 24
Public Money ... 17
Refunds/Repayment of Expenditure ... 23
Regulation ... 17
Regulations ... 25
Remissions ... 18
Report to the Auditor General by Comptroller General ... 20
Report to Board by Comptroller General (commitment) ... 21
Report to Board by Comptroller General (liability) ... 22

Report to House by Comptroller General (declines to issue payments; via Minister) 23
Reports by Treasury Board to Lieutenant-Governor in Council 17
Revenue - Federal Write-back 18
Revenue Refunds 18
Secretary of the Treasury Board 16
Settlement of Debt 18
Sinking Fund Surplus 24
Special Purpose Fund/Trust Accounts 19
Special Warrants 21
Statements to Deputy Ministers by Comptroller General 21
Statutory Payments 19
Subdivisions 20
Subheads 20
Tabling of Public Accounts 24
Treasury Board Functions 16
Treasury Board Powers 17
Treasury Board Rules 16
Treasury Board Structure 16
Unexpended Appropriations 19
Withholding Money 23
Write-back of Expenditures 19
Write-off 18

APPENDIX II

THE FINANCIAL PLAN

The Financial Plan

Estimates Process

The overall direction provided to departments for a budgetary submission is based on Government's fiscal framework - the overall guidelines and objectives around which the budget is formulated. This framework is based on the current and projected financial requirements of Government, existing and new revenue sources and Government's ability to borrow. These limitations, particularly the Province's credit rating and the impact this rating has on the cost of borrowing, influences the spending program under the current and capital account.

The following sections provide a brief synopsis of the Estimates process by responsibility. In addition, a diagram has been provided at the end of the section to illustrate the various stages in this process.

A. Cabinet

The process of finalizing all Budgets involves meetings with the full Cabinet. At these meetings, all major policy and program decisions are reviewed. This step occurs after the Budget Committee has approved a Draft Budget.

When all decisions relating to the Budget are finalized by Cabinet, each department is notified in writing of major items affecting its Estimates.

B. Budget Committee

Once a review of departmental submissions is completed by the Treasury Board Secretariat, briefing notes and recommendations are made to a special Budget Committee comprising of at least the President of Treasury Board/Minister of Finance and the Premier. This committee will determine whether additional information is required at this stage and will engage in meetings with Treasury Board and Department of Finance officials to discuss proposals and funding levels. Additional meetings may be called with line department officials as required.

C. Treasury Board Secretariat/Department of Finance

Treasury Board Secretariat has overall responsibility for the preparation of the annual Budget. In September, the guidelines for the preparation of current and capital account estimates are forwarded to all departments.

Completed budget requests are submitted by departments and are subject to a detailed review by the Treasury Board Secretariat. Briefing notes and other materials are prepared by Budgeting Division staff who recommend levels of funding for Government's programs and services.

The Department of Finance is responsible for current account revenue projections, ascertaining Government's borrowing requirement, various economic analyses and drafting the Budget Speech.

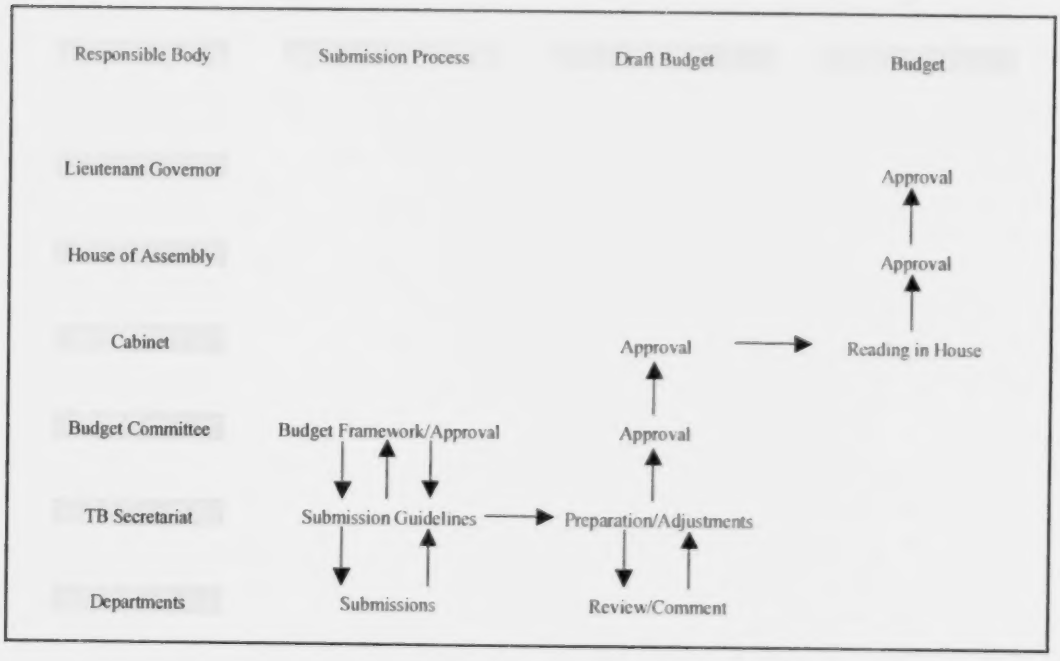
D. Departments, Crown Corporations and Agencies

Upon receipt of the Budget Preparation Guidelines from the Treasury Board Secretariat, departments begin the preparation of their Budget requests. These requests are developed based on current and anticipated program activities. Departments are asked for input at various stages during the process on matters such as format and Estimates presentation. They are consulted during the review stage for additional information and/or clarification. At certain points during the process, they will receive preliminary decisions and may be given an opportunity to appeal funding levels and/or decisions.

Various Crown Corporations and Agencies are responsible to respective ministers of departments. The budget requests for those corporations and agencies whose funding is outlined in the Estimates, are normally forwarded to their reporting department. They are asked to follow the same budget preparation guidelines issued by the Treasury Board Secretariat. Departments are expected to review the requests before they are included in the submission to Treasury Board.

E. Stages in Estimates Process - An Illustration

The following diagram illustrates the various stages in the Estimates preparation.



Budget Process

A. Estimates

Once the budget has been approved by Cabinet, it is forwarded for printing into a document called "The Estimates." The Estimates present the estimated expenditures and revenues for the programs of all Government departments and certain Government-funded agencies, based on the activities to be undertaken for the upcoming fiscal year. This is the document which is approved by the House of Assembly as the annual Provincial Budget. Beginning in the 2003-2004 fiscal year, the financial information to be included in the Estimates will also be presented on an accrual basis. The inclusion of this information will facilitate a comparison and evaluation between the budgeted figures and the actual financial results for the fiscal year which are reported in Public Accounts on an accrual basis.

B. Budget Speech

Formal presentation of the budget to the House of Assembly takes place when the Minister of Finance rises in the House and delivers the Budget Speech. The annual Budget Speech represents one of the major public statements of Government policy undertaken each year. It reviews Government's performance for the preceding fiscal year and discusses the economic outlook for the coming year - specifically noting major policy changes and new initiatives. The majority of the Speech is a statement of Government's financial goals and initiatives for the coming fiscal year as embodied in the Estimates.

C. Debate and Tabling

While announcing the policies and intentions of the Government, presentation of the Budget Speech does not constitute legal approval to implement any changes. This can only be given after the House of Assembly approves the Budget. Upon the reading of the Budget Speech the House adjourns, and in subsequent sessions the Budget is debated. Departments also appear before Estimates Committees to discuss issues around their individual budgets. These committees then report back to the House to indicate that the Estimates for all departments have been reviewed. Once formally approved by the House, legal authority is still required before departments can spend public funds.

D. Supply Bills

There are three mechanisms available to ensure provision of appropriations to enable departments to spend public money.

- Interim Supply Bill
  Provides funds for expenditure after expiration of one fiscal year and before budgetary funds are formally approved for a new fiscal year. This funding can only be used to fund existing Government programs or any new programs which are announced in the Budget Speech. Interim supply is generally required each fiscal year for a two to three-month period.

Recently the *Financial Administration Act* was amended to provide an option for the provision of interim supply through a special warrant if the House of Assembly cannot be called into session. This Warrant can only be issued for existing programs and can only fund such expenditures for a period not exceeding four months.

- Main Supply Bill
  Provides funds as approved in the annual budget/estimates.

- Supplementary Supply Bill/Special Warrants
  Provides additional funds in a fiscal year at levels greater than those initially approved in the Budget. A supplementary supply bill can be issued during the year when the House is in session for a new or existing service. The second type of supplementary supply bill generally summarizes any special warrants which may have been issued during the fiscal year and seeks formal approval for additional expenditure.

E. Legislative Protocol

Approval of specific funding as outlined in the budget is a two-part process:

- Estimates Approval
  The House of Assembly must first appropriate funding. This is accomplished when the House grants approval for the individual amounts as shown in the Estimates. The Estimates are structured to identify the expenditure requirements of the individual activities of each department.

- Main Supply Approval
  The second part of the process requires a general warrant for Main Supply to be approved. The actual legal documents approved by the Lieutenant-Governor upon approval of the Budget are the *Main Supply Act* and the General Warrant. When signed, these documents are the mechanisms that allow the various departments to spend public money.

APPENDIX III

AUTHORITY FOR EXPENDITURE AND PAYMENT

Authority for Expenditure and Payment

Spending (Legislative) Authority

Authority to spend public funds must, by law, originate in the House of Assembly. Section 22 of the Financial Administration Act (FAA) stipulates that no issue of public money shall be made out of the Consolidated Revenue Fund except under authority of the Legislature.

The authorization of the Legislature for expenditures may be in the form of:

(1) Supply Acts based on the Estimates for a fiscal year, which are the primary authoritative source for Government expenditures.

(2) Continuing statutory authority whereby enabling legislation provides authority for specific expenditures, subject only to any authorizing statues. Examples are the statutes relating to interest on the public debt and redemption of loans raised by the province.

In addition, the Lieutenant-Governor in Council, under the FAA, may authorize, by special warrant, funding additional to that which is authorized under Supply Acts.

Spending authority deals with all types of expenditure, for example the acquisition of goods or services, salaries, grants, or any activity whereby a financial liability to Government is incurred. Depending upon the nature of the particular expenditure or program, specifics regarding the amount to be spent, to whom it is paid or under what circumstances or conditions the payment is made must be prescribed by legislation, Order in Council (OC), Minute of Council (MC), Treasury Board Minute/Approval (TBM/TBA), or internal policy, etc. Often the Estimates indicate the "purpose" for which the Legislature approved the appropriation.

Officials authorized to incur expenditure must ensure that:

(1) Provision was made in the current year's approved Estimates for the program or activity involved or approval was granted through other legislative authority. The expenditure must relate to the particular program or activity or object as specifically described in the Estimates. Detailed Notes to the Estimates may serve as a reference but cannot be used to expand the specific programs or activities as described in the Estimates; and,

(2) The proposed expenditure is a legitimate charge against Government funds, in accordance with the applicable legislation, OC, MC, TBM, TBA, policy, agreement, contract, financial management circular, etc.

Usual evidence of spending authority in the Financial Management System (FMS) is the utilization of the proper account number charged to the correct activity/main object as evidenced by the Estimates, and sometimes supported by specific direction (OC, MC, TBM, TBA, etc) as previously noted. Where applicable, appropriate paper evidence is to be attached to recaps.

Purchasing (Contracting) Authority

Assuming that spending authority exists and the intent is to acquire goods or services, there are again legislative considerations.

The two specific Acts governing purchasing of goods and services and the letting of contracts for the fulfillment of public works by the Province are:

(a) the Public Tender Act, which spells out the legislated requirements with regard to the letting of contracts for any public works and the acquisition of goods and services; and

(b) the Executive Council Act, particularly Schedule G (*An Act Respecting Public Works, Services and Transportation*), Part V, which deals with the establishment and the powers, duties and functions of the Government Purchasing Agency as the central purchasing authority.

The Government Purchasing Agency has delegated low dollar value purchasing authority to departments. The Permanent Head of a department designates those officers of a department who may acquire goods and services with low dollar values directly from suppliers.

In addition, there are internal policies (i.e. Consultants Guidelines, purchasing policies, etc.) which address requirements regarding the acquisition of goods and services.

Usual evidence of purchasing authority in FMS is a reference to a type of purchase order or applicable internal documentation. Where applicable, appropriate paper evidence is to be attached to recaps.

Payment Authority

Payment authority is the authority to requisition payments and authorize their charge to the proper appropriation accounts. The objective of establishing this authority is to ensure that all statutory and regulatory requirements for the control of funds have been met. As per the FAA and other applicable legislation, payment authority will generally rest with the Deputy Minister or his/her delegated official (in writing). Proper evidence of internal control processes are also required manually.

Usual evidence of payment authority in FMS is the "approval" by the appropriate official. Where applicable, appropriate paper evidence is to be attached to recaps.